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FISCAL IMPACT STATEMENT

LS 7664

BILL NUMBER: HB 1423

NOTE PREPARED: Jan 10, 2007

BILL AMENDED:

SUBJECT: Alcoholic Beverage Issues.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Grocery Store Definition:* This bill defines "grocery store" for purposes of the alcoholic beverage laws. The bill allows the Alcohol and Tobacco Commission (ATC) to renew or transfer ownership of a beer dealer's permit for a beer dealer who: (1) held a permit before July 1, 2007; and (2) does not qualify for a permit as a grocery store under the definition of "grocery store".

Local Alcoholic Beverage Boards: The bill also requires a local alcoholic beverage board to allow an individual to make oral comments at a public meeting or hearing.

Alcohol Displays: This bill requires a dealer permittee (that is not a package liquor store) to display alcohol in a clearly designated area where the presence of a minor is prohibited without a parent or guardian who is at least 21 years of age.

Sales Clerks: The bill also requires alcoholic beverage sales in a dealer establishment to be rung up by a sales clerk who: (1) has an employee permit; (2) has alcohol server training; and (3) is at least 21 years of age (this is currently the case with package liquor stores). The bill repeals a provision that makes only employees of package liquor stores receive alcohol server training. (Requires employees of all dealer permittees to receive alcohol server training).

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will cause an increase in administrative costs for the ATC. The ATC will have to amend rules, forms, permit, and enforcement procedures to implement the provisions of this bill. It is estimated that these changes could be made through the use of existing staff and resources

available to the ATC.

Explanation of State Revenues: *Definition of Grocery Store:* This bill defines grocery store as a store or a part of a store that:

- (1) has the primary North American Industry Classification System (NAICS) classification 445110 or 452910; and
- (2) is primarily engaged in the retail sale of a general food line, which may include:
 - (A) canned and frozen foods;
 - (B) dry goods, including tea, coffee, sugar, and flour;
 - (C) fresh fruits and vegetables; and
 - (D) fresh and prepared meats.

This bill could result in a decrease in dealer permit fee revenue in FY 2008. The decrease in fee revenue will ultimately depend on the administrative actions of the ATC, and the number of permittees which no longer qualify for a permit due to the definition of grocery store.

The bill gives the ATC the option of renewing or transferring ownership of a beer dealer's permit held by a permittee who was issued the beer dealer permit as a grocery store, but now falls outside the definition of grocery store in the bill. This provision will offset some of the possible decrease in dealer permits due to the definition of grocery store.

Sales Clerks: The bill requires a sales clerk in any dealer permittee establishment to obtain an employee permit from the ATC and alcohol server training in order to ring up sales of alcohol. This provision of the bill will increase employee permit fee revenue to the Excise Police Retirement Fund and the ATC's Enforcement and Administration Fund. The increase in fee revenue is expected to be over \$110,000 in FY 2008, and \$110,000 every two years thereafter since employee permits are issued on a biennial basis. This estimate is based on the assumption that all dealer permit holders will have at least two sales clerks that obtain an employee permit at each establishment. This estimate was also offset by the fact that under current law, package liquor store sales clerks are already required to obtain employee permits. The ATC estimates that there are approximately 1,850 dealer permit holders that are not package liquor stores. The fee for an employee permit is \$30.

Alcohol Displays: This bill requires a dealer permittee (other than a package liquor store) to display alcohol in a clearly designated area where the presence of a minor is prohibited without a parent or guardian who is at least 21 years of age. This provision of the bill will only have a fiscal impact to the extent that alcohol sales are affected by the display requirements set forth in the bill (also see *Background on Alcohol Sales:* section below). The impact of this bill on state revenues is indeterminable. This bill could decrease dealer permit fee revenue, as well as Sales Tax and Alcoholic Beverage Tax collections.

Background on Grocery Store Definition: According to the ATC there are approximately 1,240 grocery store beer dealer permits issued under IC 7.1-3-5-2. It is estimated that approximately 200 to 300 of these permittees would fall outside the bill's definition of grocery store. This estimate assumes that the ratio of permittees falling outside the definition in the bill is the same ratio estimated by the 2002 Economic Census statistics for the ratio of convenience stores (NAICS code 445120) to both grocery stores (other than convenience stores) (NAICS code 445110) and warehouse clubs and superstores (NAICS code 452910).

Background on Alcohol Sales: To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise

taxes and the Sales Tax. The alcoholic beverage excise taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund , the ATC Enforcement and Administration Fund , the Addiction Services Fund , and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population. Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures: Requiring local alcoholic beverage boards to allow individuals to make oral comments at public meetings or hearing is not expected to have a fiscal impact on the boards.

Explanation of Local Revenues: *Background on Alcohol Sales:* The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: Local alcoholic beverage boards.

Information Sources:

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